

**HUMBOLDT COUNTY**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2013**

**T.P. ANDERSON & COMPANY, P.C.  
Certified Public Accountants**

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## **HUMBOLDT COUNTY**

### **OFFICIALS**

| <u>Name</u>              | <u>Title</u>     | <u>Term Expires</u> |
|--------------------------|------------------|---------------------|
| John (Mort) Christianson | Supervisor       | 12-31-2016          |
| Rick Pedersen            | Supervisor       | 12-31-2014          |
| Carl Mattes              | Supervisor       | 12-31-2014          |
| Harlan Hansen            | Supervisor       | 12-31-2014          |
| Jerry Haverly            | Supervisor       | 12-31-2016          |
| Peggy Rice               | County Auditor   | 12-31-2016          |
| Jana Bratland            | County Treasurer | 12-31-2014          |
| Linda Fort               | County Recorder  | 12-31-2014          |
| Dean Kruger              | County Sheriff   | 12-31-2016          |
| Linda Fallesen           | Assessor         | Appointed           |
| Jonathan Beaty           | County Attorney  | 12-31-2014          |



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Independent Auditor's Report

To the Board of Supervisors  
Humboldt County  
Dakota City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Humboldt County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Humboldt County as of June 30, 2013, and the respective changes in financial position for the year then

ended in accordance with U.S. generally accepted accounting principles.

#### Other Matters

##### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 34 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Humboldt County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014 on our consideration of Humboldt County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humboldt County's internal control over financial reporting and compliance.

*T.P. Anderson & Company*

February 19, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Humboldt County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental funds increased 26%, or approximately \$2,701,000, from fiscal 2012 to fiscal 2013. Capital grants increased approximately \$576,000 and drainage assessment earnings increased \$2,402,000.
- ◆ Program expenses were 44%, or approximately \$3,705,000, more in fiscal 2013 than in fiscal 2012. Road and transportation expense increased approximately \$1,743,000 and drainage related expenses increased approximately \$2,116,000.
- ◆ The County's net position increased 5%, or approximately \$957,000, from June 30, 2012 to June 30, 2013.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Humboldt County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Humboldt County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Humboldt County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services, the County Assessor, and the County Agricultural Association, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

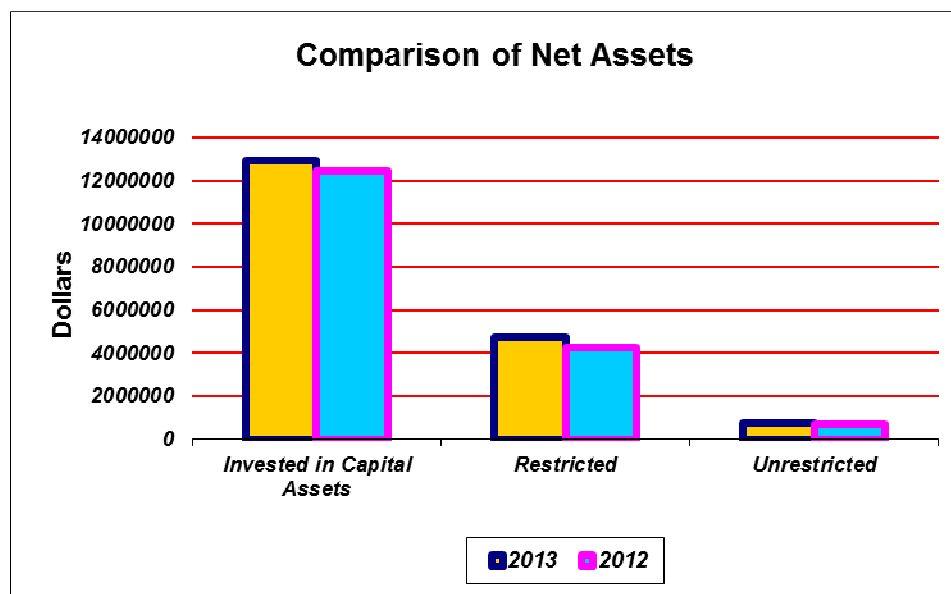


## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Humboldt County's net position increased from a year ago from \$18.0 million to \$19.0 million. The analysis that follows focuses on the changes in the net position for governmental activities.

### Net Assets of Governmental Activities (Expressed in Thousands)

|                            | June 30, 2013    | June 30, 2012    |
|----------------------------|------------------|------------------|
| Current and other assets   | \$ 16,820        | \$ 14,265        |
| Capital assets             | 12,949           | 12,439           |
| <b>Total Assets</b>        | <b>29,769</b>    | <b>26,704</b>    |
| Long-term debt outstanding | 5,546            | 3,403            |
| Other liabilities          | 5,226            | 5,261            |
| <b>Total Liabilities</b>   | <b>10,772</b>    | <b>8,664</b>     |
| <b>Net Assets:</b>         |                  |                  |
| Invested in capital assets | 12,949           | 12,439           |
| Restricted                 | 5,308            | 4,876            |
| Unrestricted               | 740              | 725              |
| <b>TOTAL NET ASSETS</b>    | <b>\$ 18,997</b> | <b>\$ 18,040</b> |



Net position of Humboldt County's governmental activities increased by approximately 5% (\$19.0 million compared to \$18.0 million). The largest portion of the County's net position is the amount invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt, if any.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation stating how they can be used.

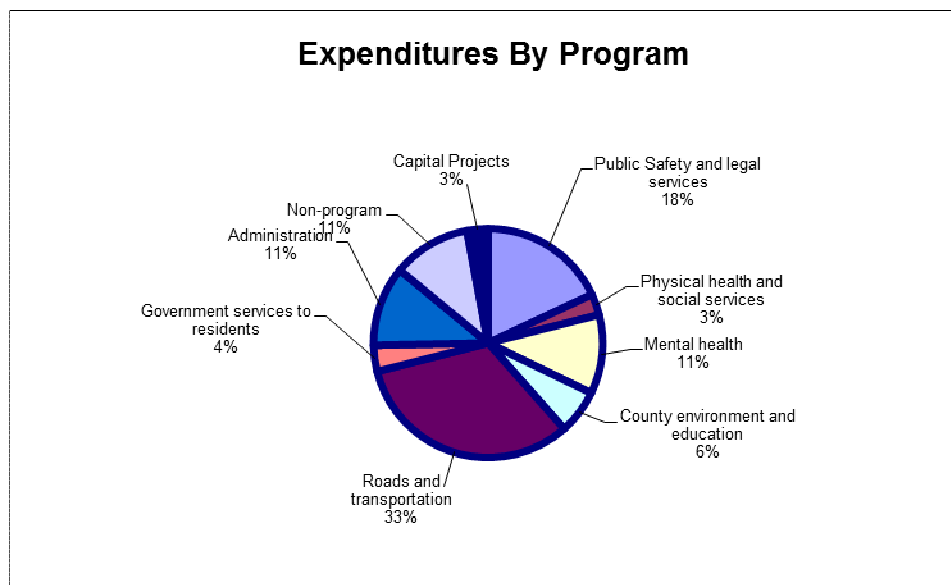
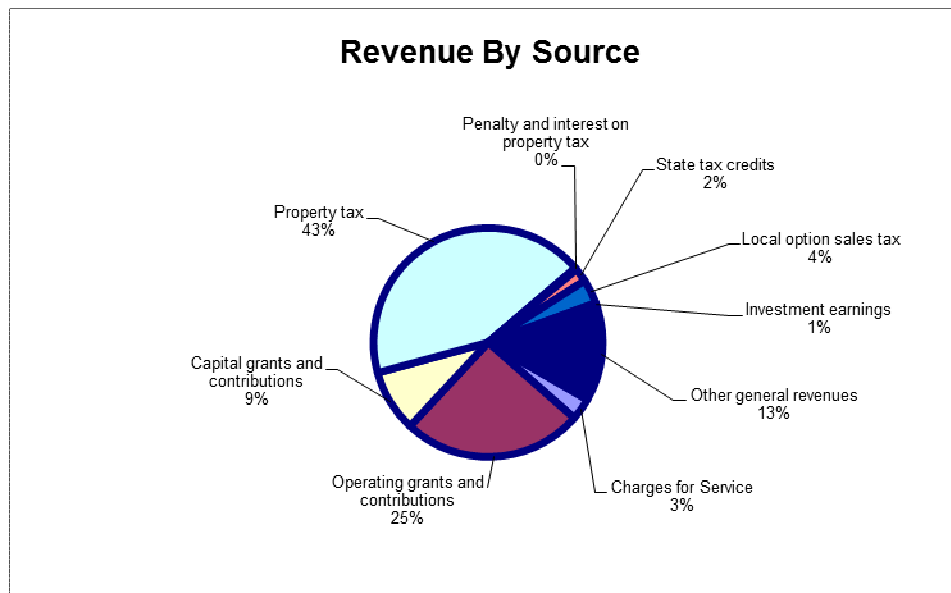
Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements – increased from approximately \$725,000 at June 30, 2012 to approximately \$740,000 at the end of this year.

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Changes in Net Position of Governmental Activities  
(Expressed in Thousands)

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|   | June 30, 2013           | June 30, 2012           |
|---|-------------------------|-------------------------|
| Revenues:                                 |                         |                         |
| Program revenues:                         |                         |                         |
| Charges for service                       | \$ 341                  | \$ 303                  |
| Operating grants and contributions        | 2,756                   | 3,216                   |
| Capital grants and contributions          | 950                     | 374                     |
| General revenues:                         |                         |                         |
| Property tax                              | 4,658                   | 4,504                   |
| Penalty and interest on property tax      | 31                      | 27                      |
| State tax credits                         | 206                     | 173                     |
| Local option sales tax                    | 376                     | 354                     |
| Unrestricted investment earnings          | 60                      | 128                     |
| Other general revenues                    | 3,625                   | 1,223                   |
|   | <u>13,003</u>           | <u>10,302</u>           |
| Program Expenses                          |                         |                         |
| Public safety and legal services          | 1,775                   | 1,586                   |
| Physical health and social services       | 294                     | 349                     |
| Mental health                             | 1,100                   | 1,410                   |
| County environment and education          | 618                     | 705                     |
| Roads and transportation                  | 3,205                   | 1,462                   |
| Government services to residents          | 363                     | 371                     |
| Administration                            | 1,112                   | 1,044                   |
| Non-program                               | 3,287                   | 1,171                   |
| Capital projects                          | 292                     | 243                     |
| Total expenses                            | <u>12,046</u>           | <u>8,341</u>            |
| Increase in net assets                    | 957                     | 1,961                   |
| Net assets beginning of year, as restated | <u>18,040</u>           | <u>16,079</u>           |
| Net assets end of year                    | <u><u>\$ 18,997</u></u> | <u><u>\$ 18,040</u></u> |



The cost of all governmental activities this year was \$12.0 million compared to \$8.3 million last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was only \$8.0 million because some of the cost was paid by those who directly benefited from the programs (\$341,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,706,000).

Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2013 from approximately \$3,893,000 to \$4,046,000. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5,241,000 in taxes (some of which could only be used for certain programs) and with other revenues such as interest and general entitlements.

Humboldt County decreased property tax rates by \$0.07584 per \$1,000 of valuation in the countywide levy. Taxable value by levy without gas and electric utilities, the actual levy rate per \$1,000 of valuation, and total dollars levied are as follows:

|                                 | For Taxes Levied<br>Fiscal Year 2013 | For Taxes Levied<br>Fiscal Year 2012 |
|---------------------------------|--------------------------------------|--------------------------------------|
| Countywide taxable value        | \$ 562,741,069                       | \$ 537,287,089                       |
| Countywide levy rate            | 6.17038                              | 6.24622                              |
| Dollars levied                  | 3,472,326                            | 3,356,013                            |
| Rural taxable value             | 353,857,227                          | 334,027,821                          |
| Rural tax levy rate             | 3.95                                 | 3.95                                 |
| Dollars levied rural area only  | 1,397,736                            | 1,319,410                            |
| Total countywide rate           | 10.12038                             | 10.19622                             |
| Total dollars levied countywide | \$ 4,870,062                         | \$ 4,675,423                         |

## INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$6.2 million, which is approximately \$1.2 million more than last year's total. The increase in fund balance is attributable to higher other financing sources.

General Fund revenues decreased by approximately \$378,000 when compared to the prior year. The ending fund balance showed a \$38,000 decrease from the prior year. Mainly due to an increase in county environment and education expenses.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,096,000. The Mental Health Fund balance at year end increased by approximately \$85,000, or 22%, from the prior year.

The Rural Services fund ended Fiscal Year 2013 with a fund balance of \$88,000 compared to the prior year-end balance of \$30,000. The increase of \$58,000 in the fund was mainly attributable to an increase in net operating revenues.

Secondary Roads Fund expenditures decreased by approximately \$530,000 from the prior year, due principally to the purchase of new secondary road equipment in 2012. The receipts in the Secondary Road fund were sufficient and there was an increase in the Fund's fund balance of \$628,000.

Significant work in Humboldt County drainage districts continued. The work consisted of continued cleaning and maintenance of the drainage districts. The fund balance for the drainage districts as a whole increased \$476,000 for the year ended June 30, 2013.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds.

Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget two times. The first amendment was made on March

18, 2013 and increased budgeted expenditures by \$1,440,140. The increase was for the county environment and education for a conservation land project and the secondary road department for capital projects. The second amendment was made in May of 2013 and resulted in an increase in budgeted revenues of \$94,000 and an increase in budgeted expenditures of \$259,983. This increase was to pay for increased expenses for operating budget for public safety, mental health, county and environment and administration.

The County did not exceed the budgeted amounts in any service areas for the year ended June 30, 2013.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2013, Humboldt County had approximately \$12.95 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$510,000. The increase is due in part to additional infrastructure added during the year.

| Capital Assets of Governmental Activities at Year End<br>(Expressed in Thousands) |      |          |      |        |
|---|------|----------|------|--------|
|   | 2013 | June 30, | 2012 |        |
| Land  | \$   | 330      | \$   | 205    |
| Buildings and improvements  |      | 2,462    |      | 1,597  |
| Equipment and vehicles  |      | 1,254    |      | 1,576  |
| Infrastructure  |      | 8,902    |      | 9,061  |
| Total   | \$   | 12,948   | \$   | 12,439 |

This year's major additions included (in thousands):

|  |              |
|--|--------------|
| New vehicles and equipment for sheriff | 7            |
| New land and bathhouse – conservation  | 214          |
| Bridge/culvert project                 | 386          |
| Bode and Hardy shops                   | 864          |
| Other                                  | 117          |
|  | <u>1,588</u> |

The County had depreciation expense of \$1,074,626 during the year ended June 30, 2013 and total accumulated depreciation of \$10,442,469 as of June 30, 2013.

## **LONG TERM DEBT**

At June 30, 2013, Humboldt County had approximately \$5,546,000 in outstanding obligations. They are displayed below in the chart.

| Outstanding Debt of Governmental Activities at Year-End<br>(Expressed in Thousands) |          |          |
|---|----------|----------|
|   | June 30, |          |
|   | 2013     | 2012     |
| Drainage warrants and improvement certificates                                      | \$ 5,357 | \$ 3,221 |
| Landfill closure costs  | 29       | 31       |
| Other post employment benefits  | 67       | 67       |
| Compensated absences  | 93       | 84       |
| Total   | \$ 5,546 | \$ 3,403 |

Debt increased as a result of additional outstanding drainage warrants during the year and increased compensated absences.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Humboldt County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and the fees that will be charged for various County activities.

Amounts available for appropriation in the operating budget are \$10.6 million, an increase of 15 percent over the final 2013 budget. Other County taxes and use of money and property are expected to decrease slightly during fiscal year 2014. Humboldt County will use these proceeds to finance programs currently offered and offset the effects of any inflation that may occur. The County has added no major new programs or initiatives to the 2014 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by June 30, 2014.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Humboldt County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Humboldt County Auditor's Office, Courthouse, Dakota City, Iowa.

## **Basic Financial Statements**

**HUMBOLDT COUNTY****Exhibit A****Statement of Net Position****June 30, 2013****Assets**

|  |               |
|--|---------------|
| Cash and pooled investments                      | \$ 6,117,626  |
| Receivables                                      |               |
| Property tax:                                    |               |
| Delinquent                                       | 9,356         |
| Succeeding year                                  | 5,032,548     |
| Accounts   | 38,352        |
| Accrued interest                                 | 442           |
| Drainage assessments:                            |               |
| Current  | 229,580       |
| Future   | 5,127,265     |
| Due from other governments                       | 197,042       |
| Inventory  | 68,179        |
| Capital assets (net of accumulated depreciation) | 12,948,993    |
|  | <hr/>         |
| Total assets                                     | \$ 29,769,383 |
|  | <hr/>         |

**Liabilities**

|   |               |
|---|---------------|
| Accounts payable                        | \$ 143,400    |
| Salaries and benefits payable           | 50,260        |
| Due to other governments                | 468           |
| Deferred revenue:                       |               |
| Succeeding year property tax            | 5,032,364     |
| Long-term liabilities:                  |               |
| Portion due or payable within one year: |               |
| Compensated absences                    | 92,792        |
| Landfill closure liability              | 5,000         |
| Drainage warrants                       | 229,580       |
| Portion due or payable after one year:  |               |
| Other postemployment benefits           | 66,891        |
| Drainage warrants                       | 5,127,614     |
| Landfill closure liability              | 23,730        |
|   | <hr/>         |
| Total liabilities                       | \$ 10,772,099 |
|   | <hr/>         |

**Net Position**

|   |               |
|---|---------------|
| Invested in capital assets, net of related debt | \$ 12,948,993 |
| Restricted for:                                 |               |
| Supplemental levy purposes                      | 279,563       |
| Mental health purposes                          | 462,577       |
| Rural services                                  | 89,019        |
| Secondary road purposes                         | 3,267,152     |
| Drainage district purposes                      | 809,999       |
| Other purposes                                  | 399,994       |
| Unrestricted                                    | 739,987       |
|   | <hr/>         |
| Total net position                              | \$ 18,997,284 |
|   | <hr/>         |

See notes to the financial statements



# HUMBOLDT COUNTY

Exhibit B

## Statement of Activities

Year ended June 30, 2013

| Functions/Programs                        | Expenses             | Program Revenues       |  |   | Net (Expense)<br>Revenue and Changes<br>in Net Assets |
|---|----------------------|------------------------|--|---|---|
|   |                      | Charges for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants<br>Contributions<br>and Restricted<br>Interest |   |
| Governmental activities:                  |                      |                        |  |   |   |
| Public safety and legal services          | \$ 1,774,504         | 49,251                 | 42,502   | -   | \$ (1,682,751)  |
| Physical health and social services       | 293,763              | -                      | -  | -   | (293,763)   |
| Mental health                             | 1,100,436            | -                      | 724,184  | -   | (376,252)   |
| County environment and education          | 617,895              | 68,645                 | 9,353  | -   | (539,897)   |
| Roads and transportation                  | 3,497,642            | -                      | 1,964,464  | 79,674  | (1,453,504)   |
| Governmental services to residents        | 363,439              | 207,985                | -  | -   | (155,454)   |
| Administration                            | 1,111,880            | 14,824                 | 15,493   | -   | (1,081,563)   |
| Non-program                               | 3,232,834            |                        |  |   | (3,232,834)   |
| Interest paid on long-term debt           | 53,713               |                        | -  | 870,069   | 816,356   |
|   | <u>\$ 12,046,106</u> | <u>340,705</u>         | <u>2,755,996</u>   | <u>949,743</u>  | <u>(7,999,662)</u>                                    |
| <b>General Revenues:</b>                  |                      |                        |  |   |   |
| Property and other county tax levied for: |                      |                        |  |   |   |
| General purposes                          |                      |                        |  |   | 4,657,785   |
| Penalty and interest on property tax      |                      |                        |  |   | 31,158  |
| State tax credits                         |                      |                        |  |   | 206,069   |
| Local option sales tax                    |                      |                        |  |   | 376,620   |
| Unrestricted investment earnings          |                      |                        |  |   | 59,871  |
| Drainage assessments                      |                      |                        |  |   | 2,892,577   |
| Miscellaneous                             |                      |                        |  |   | <u>732,606</u>  |
| Total general revenues                    |                      |                        |  |   | <u>8,956,686</u>                                      |
| Change in net position                    |                      |                        |  |   | 957,024   |
| Net position beginning of year            |                      |                        |  |   | <u>18,040,260</u>                                     |
| Net position end of year                  |                      |                        |  |   | <u>\$ 18,997,284</u>                                  |

See notes to financial statements.

**HUMBOLDT COUNTY**

**Exhibit C**

**Balance Sheet  
Governmental Funds**

**June 30, 2013**

| Assets                              | Special Revenue |               |                |                 |                    |          | Total         |
|-------------------------------------|-----------------|---------------|----------------|-----------------|--------------------|----------|---------------|
|                                     | General         | Mental Health | Rural Services | Secondary Roads | Drainage Districts | Nonmajor |               |
| Cash and investments                | \$ 1,151,123    | 353,891       | 90,792         | 3,343,002       | 810,348            | 368,470  | \$ 6,117,626  |
| Receivables:                        |                 |               |                |                 |                    |          |               |
| Property tax:                       |                 |               |                |                 |                    |          |               |
| Delinquent                          | 7,140           | 1,031         | 1,185          | -               | -                  | -        | 9,356         |
| Succeeding year                     | 3,116,574       | 450,280       | 1,465,694      | -               | -                  | -        | 5,032,548     |
| Accounts receivable                 | 38,237          | 78            | -              | 37              | -                  | -        | 38,352        |
| Accrued interest                    | 408             | -             | -              | 23              | -                  | 11       | 442           |
| Drainage assessments:               | -               | -             | -              | -               | -                  | -        | -             |
| Current                             |                 |               |                |                 | 229,580            |          | 229,580       |
| Future                              |                 |               |                |                 | 5,127,614          |          | 5,127,614     |
| Due from other funds                | -               | -             | -              | -               | -                  | -        | -             |
| Due from other governments          | 34,638          | 123,002       | -              | 7,889           | -                  | 31,513   | 197,042       |
| Inventory                           | -               | -             | -              | 68,179          | -                  | -        | 68,179        |
|                                     | 4,348,120       | 928,282       | 1,557,671      | 3,419,130       | 6,167,542          | 399,994  | 16,820,739    |
| Liabilities and Fund Balance        |                 |               |                |                 |                    |          |               |
| Liabilities                         |                 |               |                |                 |                    |          |               |
| Accounts payable                    | 82,474          | 206           | 2,958          | 57,762          | -                  | -        | 143,400       |
| Salaries and benefits payable       | 16,272          | 5,636         | -              | 28,352          | -                  | -        | 50,260        |
| Due to other funds                  | -               | -             | -              | -               | -                  | -        | -             |
| Due to other governments            | 468             | -             | -              | -               | -                  | -        | 468           |
| Deferred revenue:                   | -               |               |                | -               | -                  | -        | -             |
| Succeeding year property tax        | 3,116,412       | 450,258       | 1,465,694      | -               | -                  | -        | 5,032,364     |
| Other                               | 7,140           | 1,031         | 1,185          | -               | 5,357,194          | -        | 5,366,550     |
|                                     | 3,222,766       | 457,131       | 1,469,837      | 86,114          | 5,357,194          | -        | 10,593,042    |
| Fund balances:                      |                 |               |                |                 |                    |          |               |
| Nonspendable:                       |                 |               |                |                 |                    |          |               |
| Inventories                         |                 |               |                | 68,179          |                    |          | 68,179        |
| Restricted for:                     |                 |               |                |                 |                    |          |               |
| Supplemental levy purposes          | 279,563         | -             | -              | -               | -                  | -        | 279,563       |
| Mental health purposes              |                 | 471,151       |                |                 |                    |          | 471,151       |
| Rural services purposes             |                 |               | 87,834         |                 |                    |          | 87,834        |
| Secondary road purposes             |                 |               |                | 3,264,837       |                    |          | 3,264,837     |
| Drainage warrants                   | -               | -             | -              | -               | 810,348            | -        | 810,348       |
| Resource enhancement and protection | -               | -             | -              | -               | -                  | 60,800   | 60,800        |
| Other purposes                      |                 |               |                |                 |                    | 339,194  | 339,194       |
| Unassigned                          | 845,791         | -             | -              | -               | -                  | -        | 845,791       |
|                                     | 1,125,354       | 471,151       | 87,834         | 3,333,016       | 810,348            | 399,994  | 6,227,697     |
|                                     | \$ 4,348,120    | 928,282       | 1,557,671      | 3,419,130       | 6,167,542          | 399,994  | \$ 16,820,739 |

See notes to financial statements

**HUMBOLDT COUNTY**

**Exhibit D**

**Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position**

**June 30, 2013**

|  |                      |
|--|----------------------|
| Total governmental fund balances (page 14)   | \$ 6,227,697         |
| <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>  |                      |
| Capital assets used in the governmental activities are not current financial resources and, therefore are not reported in the funds. The cost of assets is \$23,391,462 and the accumulated depreciation is \$10,442,469.                                  | 12,948,993           |
| Other long-term assets are not available to pay current period expenditures and therefore, are deferred in the funds.  | 5,366,201            |
| Long-term liabilities, including compensated absences payable, other postemployment benefits payable, drainage warrants payable, and landfill closure payable are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(5,545,607)</u>   |
| Net position of governmental activities (page 12)  | <u>\$ 18,997,284</u> |

See notes to the financial statements.

HUMBOLDT COUNTY

Exhibit E

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2013

|  | Special Revenue |                  |                   |                    |                       | Nonmajor<br>Special<br>Revenue | Total       |
|--|-----------------|------------------|-------------------|--------------------|-----------------------|--------------------------------|-------------|
|  | General         | Mental<br>Health | Rural<br>Services | Secondary<br>Roads | Drainage<br>Districts |                                |             |
| Revenues   |                 |                  |                   |                    |                       |                                |             |
| Property and other county tax                                | \$2,881,321     | 440,045          | 1,337,839         | -                  | -                     | -                              | 4,659,205   |
| Interest and penalty on property tax                         | 31,022          | 136              | -                 | -                  | -                     | -                              | 31,158      |
| Intergovernmental  | 395,290         | 738,484          | 105,567           | 2,044,138          | 870,069               | 385,974                        | 4,539,522   |
| Licenses and permits   | 3,555           | -                | -                 | 44,681             | -                     | -                              | 48,236      |
| Charges for service  | 332,891         | -                | -                 | -                  | -                     | 7,814                          | 340,705     |
| Use of money and property                                    | 58,875          | -                | -                 | 812                | -                     | 184                            | 59,871      |
| Miscellaneous  | 168,241         | 2,535            | 100               | 255,166            | 756,197               | 2,750                          | 1,184,989   |
|  | 3,871,195       | 1,181,200        | 1,443,506         | 2,344,797          | 1,626,266             | 396,722                        | 10,863,686  |
| Expenditures:  |                 |                  |                   |                    |                       |                                |             |
| Operating  |                 |                  |                   |                    |                       |                                |             |
| Public safety and legal service                              | 1,487,943       | -                | 224,744           | -                  | -                     | 1,097                          | 1,713,784   |
| Physical health and social services                          | 293,763         | -                | -                 | -                  | -                     | -                              | 293,763     |
| Mental health  | -               | 1,096,436        | -                 | -                  | -                     | 2,362                          | 1,098,798   |
| County environment and education                             | 610,874         | -                | 135,778           | -                  | -                     | 21,356                         | 768,008     |
| Roads and transportation                                     | 11,307          | -                | -                 | 2,910,865          | -                     | -                              | 2,922,172   |
| Governmental services to residents                           | 361,609         | -                | 1,830             | -                  | -                     | -                              | 363,439     |
| Administration   | 1,045,465       | -                | -                 | -                  | -                     | 5,704                          | 1,051,169   |
| Non-program  | -               | -                | -                 | -                  | 3,232,834             | -                              | 3,232,834   |
| Debt service   | -               | -                | -                 | -                  | 1,149,818             | -                              | 1,149,818   |
| Capital projects   | -               | -                | -                 | 292,469            | -                     | -                              | 292,469     |
|  | 3,810,961       | 1,096,436        | 362,352           | 3,203,334          | 4,382,652             | 30,519                         | 12,886,254  |
| Excess (deficiency) of revenues over<br>(under) expenditures | 60,234          | 84,764           | 1,081,154         | (858,537)          | (2,756,386)           | 366,203                        | (2,022,568) |
| Other financing sources (uses)                               |                 |                  |                   |                    |                       |                                |             |
| Sale of capital assets                                       | 1               | -                | -                 | 4,482              | -                     | -                              | 4,483       |
| Operating transfers in                                       | -               | -                | 73,979            | 1,481,937          | -                     | -                              | 1,555,916   |
| Operating transfers out                                      | (97,797)        | -                | (1,097,294)       | -                  | -                     | (360,825)                      | (1,555,916) |
| Drainage warrants  | -               | -                | -                 | -                  | 3,232,834             | -                              | 3,232,834   |
|  | (97,796)        | -                | (1,023,315)       | 1,486,419          | 3,232,834             | (360,825)                      | 3,237,317   |
| Net change in fund balances                                  | (37,562)        | 84,764           | 57,839            | 627,882            | 476,448               | 5,378                          | 1,214,749   |
| Fund balances beginning of year                              | 1,162,916       | 386,387          | 29,995            | 2,705,134          | 333,900               | 394,616                        | 5,012,948   |
| Fund balances end of year                                    | \$1,125,354     | 471,151          | 87,834            | 3,333,016          | 810,348               | 399,994                        | 6,227,697   |

See notes to the financial statements.

**HUMBOLDT COUNTY****Exhibit F****Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds to the Statement  
of Activities****Year ended June 30, 2013**

Net change in fund balances - total governmental funds (page - 16) \$ 1,214,749

*Amounts reported for governmental activities in the Statement of  
Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

|                                 |                    |           |
|---------------------------------|--------------------|-----------|
| Expenditures for capital assets | 828,847            |           |
| Depreciation expense            | <u>(1,074,626)</u> | (245,779) |

In the statement of activities, the loss on the disposal of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.

(3,997)

Drainage improvement costs that are expenditures paid for governmental fund reporting but matched with the revenues for entity wide reporting

2,177,070

Because of revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

|                      |                 |          |
|----------------------|-----------------|----------|
| Property tax         | (1,420)         |          |
| Drainage assessments | <u>(40,689)</u> | (42,109) |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments as follows:

|                          |                  |             |
|--------------------------|------------------|-------------|
| Drainage warrants issued | (3,232,834)      |             |
| Drainage warrants repaid | <u>1,096,105</u> | (2,136,729) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

|                               |              |         |
|-------------------------------|--------------|---------|
| Compensated absences          | (8,481)      |         |
| Other postemployment benefits | (18)         |         |
| Landfill closure liability    | <u>2,318</u> | (6,181) |

|  |                          |
|--|--------------------------|
| Changes in net position of governmental activities (page 13) | <u><u>\$ 957,024</u></u> |
|--|--------------------------|

See notes to the financial statements.

## HUMBOLDT COUNTY

Exhibit G

### Statement of Fiduciary Assets and Liabilities Agency Funds

Year ended June 30, 2013

#### Assets

|                             |            |
|-----------------------------|------------|
| Cash and pooled investments |            |
| County Treasurer            | \$ 738,318 |
| Other County officials      | 17,315     |
| Property tax receivable     |            |
| Delinquent                  | 29,841     |
| Succeeding year             | 12,335,834 |
| Accounts receivable         | 24,693     |
| Due from other governments  | -          |
| Capital assets              | 117,434    |
|                             | <hr/>      |
| Total Assets                | 13,263,435 |
|                             | <hr/>      |

#### Liabilities

|                               |            |
|-------------------------------|------------|
| Accounts payable              | 3,485      |
| Salaries and benefits payable | 11,346     |
| Due to other governments      | 13,230,186 |
| Notes payable                 | -          |
| Trusts payable                | 18,418     |
| Compensated absences          | -          |
|                               | <hr/>      |
| Total Liabilities             | 13,263,435 |
|                               | <hr/>      |

|            |             |
|------------|-------------|
| Net Assets | \$ -        |
|            | <hr/> <hr/> |

See notes to the financial statements.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Humboldt County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

##### A. – Reporting Entity

For financial reporting purposes, Humboldt County has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Humboldt County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities, which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred twenty drainage districts have been established pursuant to Chapter 468 of the Code of Iowa in Humboldt County for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Humboldt County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Humboldt County Auditor's office.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is not an ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Joint Law Enforcement Board, Co-City Transportation, Humboldt County E-911 Services Board, Humboldt County Landfill Commission, Humboldt County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

#### B. - Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.



## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds are paid from this fund.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services, which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the state of Iowa, required transfers from the General and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The Drainage Districts Fund is used to account for drainage district construction and maintenance activities and the assessments that are levied to pay for them.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

#### C. - Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues, (shared revenues, grants, and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds, which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D - Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013; and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2012.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represents amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represents assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due From and Due To Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**HUMBOLDT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of \$5,000 and estimated useful lives of more than two years.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class           | Estimated Useful<br>Lives (in years) |
|-----------------------|--------------------------------------|
| Building              | 40 - 50                              |
| Building improvements | 20 – 50                              |
| Infrastructure        | 30 – 50                              |
| Equipment             | 2 – 20                               |
| Vehicles              | 3 – 10                               |

Due To Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specific use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

#### E. - Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2 – CASH AND POOLED INVESTMENTS

The County's bank deposits (including \$2,693,153 money market savings accounts) at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-ended management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County's investments at June 30, 2013 are as follows:

| <u>Type</u>               | <u>Fair<br/>Value</u> |
|---------------------------|-----------------------|
| Stamped Drainage Warrants | <u>\$4,177,097</u>    |

**Interest Rate Risk.** The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

**Credit Risk.** The County's investments are unrated.

**Concentration of Credit Risk.** The County places various limits on the amount that may be invested in any one issuer. More than 68% of the County's total cash and investments are invested in drainage warrants.

#### NOTE 3 - PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 3 - PENSION AND RETIREMENT BENEFITS - continued

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$252,568, \$237,968 and 201,864, respectively, equal to the required contributions for each year.

#### NOTE 4 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2013, is as follows:

| Receivable Fund | Payable Fund    |             |
|-----------------|-----------------|-------------|
| General         | Special Revenue |             |
|                 | Mental Health   | \$ <u>0</u> |
| Nonmajor        | Special Revenue |             |
|                 | Mental Health   | \$ <u>0</u> |

The balances, when present, result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

#### NOTE 5 - DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

| <u>Fund</u>                      | <u>Description</u> | <u>Amount</u>       |
|----------------------------------|--------------------|---------------------|
| General                          | Services           | \$ 468              |
| Total for governmental funds     |                    | <u>\$ 468</u>       |
| Agency:                          |                    |                     |
| Agricultural Extension Education | Collections        | \$ 121,901          |
| County Assessor                  |                    | 475,283             |
| Schools                          |                    | 6,988,330           |
| Community Colleges               |                    | 529,749             |
| Corporations                     |                    | 4,010,499           |
| Townships                        |                    | 243,671             |
| Public Safety                    |                    | <u>860,753</u>      |
| Total for agency funds           |                    | <u>\$13,230,186</u> |

# HUMBOLDT COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

| Transfer to    | Transfer from:        | Amount             |
|----------------|-----------------------|--------------------|
| Rural Services | Community Better Lost | <u>73,979</u>      |
| Secondary Road | General Fund          | 97,797             |
|                | Special Revenue       |                    |
|                | Rural Services        | 1,097,294          |
|                | Secondary Road Lost   | <u>286,846</u>     |
|                |                       | <u>\$1,481,937</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 is as follows:

|   | Balance<br>Beginning<br>of Year | Increases | Decreases | Balance<br>End<br>of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| Capital Assets not being depreciated:       |                                 |           |           |                           |
| Land  | 205,219                         | 124,977   | -         | 330,196                   |
| Capital Assets being depreciated:           |                                 |           |           |                           |
| Buildings and improvements                  | 3,606,748                       | 982,347   | -         | 4,589,095                 |
| Equipment and vehicles                      | 6,506,766                       | 94,482    | 107,951   | 6,493,297                 |
| Infrastructure, road network                | 11,592,435                      | 386,439   | -         | 11,978,874                |
| Total capital assets being depreciated      | 21,705,949                      | 1,463,268 | 107,951   | 23,061,266                |
| Less accumulated depreciation for:          |                                 |           |           |                           |
| Buildings and improvements                  | 2,009,526                       | 117,434   | -         | 2,126,960                 |
| Equipment and vehicles                      | 4,930,841                       | 411,920   | 103,954   | 5,238,807                 |
| Infrastructure, road network                | 2,531,431                       | 545,272   | -         | 3,076,702                 |
| Total accumulated depreciation              | 9,471,798                       | 1,074,626 | 103,954   | 10,442,469                |
| Total capital assets being depreciated, net | 12,234,151                      |           |           | 12,618,797                |
| Governmental activities capital assets, net | \$ 12,439,370                   |           |           | 12,948,993                |

Depreciation expense was charged to the following functions:

Governmental Activities:

|                          |                  |
|--------------------------|------------------|
| Public Safety            | 67,926           |
| County Environment       | 66,058           |
| Roads and Transportation | 837,272          |
| Administration           | 103,370          |
|                          | <u>1,074,626</u> |



**HUMBOLDT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 –LONG-TERM LIABILITIES**

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

|                     | <u>Postclosure<br/>Costs</u> | <u>OPEB</u>      | <u>Drainage<br/>Warrants</u> | <u>Compensated<br/>Absences</u> | <u>Total</u>        |
|---------------------|------------------------------|------------------|------------------------------|---------------------------------|---------------------|
| Beginning balance   | \$ 31,048                    | \$ 66,873        | \$ 3,220,465                 | \$ 84,311                       | \$ 3,402,697        |
| Increases           | -                            | 18               | 3,232,834                    | 8,481                           | 3,241,333           |
| Decreases           | <u>2,318</u>                 | <u>-</u>         | <u>1,096,105</u>             | <u>-</u>                        | <u>1,098,423</u>    |
| Ending balance      | <u>\$ 28,730</u>             | <u>\$ 66,891</u> | <u>\$ 5,357,194</u>          | <u>\$ 92,792</u>                | <u>\$ 5,545,607</u> |
| Due within one year | <u>\$ 5,000</u>              | <u>\$ -</u>      | <u>\$ 229,580</u>            | <u>\$ 92,792</u>                | <u>\$ 327,372</u>   |

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description. The County operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 64 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical coverage is administered by Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy. The implicit subsidies result in an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)-continued

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

|  | 2013      |
|--|-----------|
| Annual required contribution               | \$ 30,453 |
| Interest on net OPEB obligation            | -         |
| Adjustment to annual required contribution | (30,435)  |
| Annual OPEB cost                           | 18        |
| Net OPEB obligation beginning of year      | 66,873    |
| Net OPEB obligation end of year            | \$ 66,891 |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the years ended June 30, 2013, the County did not contribute to the medical plan.

The County's annual actuarially determined OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

| Year Ended    | Annual OPEB Cost | Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------|------------------|------------------------------|---------------------|
| June 30, 2013 | \$ 30,453        | \$ 30,435                    | \$ 66,891           |
| June 30, 2012 | \$ 29,152        | \$ 6,861                     | \$ 66,873           |
| June 30, 2011 | \$ 29,152        | \$ 6,861                     | \$ 44,582           |

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013 and July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$283,820, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$283,820. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,664,747 and the ratio of the UAAL to covered payroll was 10% for 2013 and 10% for 2012. As of June 30, 2013 and 2012, there were no trust fund assets.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)-continued

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2013 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based on national averages.

Projected claim costs of the medical plan are \$920 per month for retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### NOTE 10 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance to insure property, liability, worker's compensation and employees. Settled claims resulting from those risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **HUMBOLDT COUNTY**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 11 - CLOSURE AND POSTCLOSURE CARE COSTS**

The County participates in an agreement with the Humboldt County Solid Waste Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The Humboldt County Sanitary Landfill closed in 1995 and in compliance with federal and state regulations; the Commission is required to provide financial assurance for the postclosure care period. The County has provided a Local Government Guarantee for postclosure costs of the landfill as per Chapter 111.6(3) of the Iowa Administrative Code. The total costs for postclosure care at the Humboldt County Sanitary Landfill have been estimated at \$301,600 as of June 30, 2013. This is the amount being assured by the County through the Local Government Guarantee.

Humboldt County, while guaranteeing the complete postclosure costs for the Humboldt County Solid Waste Commission, has recorded in the long term debt account group \$28,730 to reflect their estimate of the present value of their share (32%) of the postclosure costs for the Humboldt County Solid Waste Commission. During the year ended June 30, 2013, Humboldt County paid \$2,318 in fees to the Humboldt County Solid Waste Commission.

#### **NOTE 12 – PROTECTION PAYEE PROGRAM**

The community services office of Humboldt County supervises a protective payee program that provides assistance to certain residents with balancing their bank accounts and paying their bills. The County's responsibility for the program is limited to screening potential volunteers who in fact pay the bills and providing a location for a third party to review all transactions for appropriateness. At June 30, 2013, 12 individuals were receiving assistance. The individuals being assisted held a total of \$12,627 as of June 30, 2013. The dollars in this program are insured by AARP.

#### **NOTE 13 - JOINTLY GOVERNED ORGANIZATION**

Humboldt County participates in the Humboldt County Law Enforcement Center (LEC), a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an agency fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2013:

Additions:

Contributions from governmental units:

Humboldt County  
City of Humboldt

\$ 259,750  
112,780

\$ 372,530

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 14 - JOINTLY GOVERNED ORGANIZATION-continued

|                           |    |                       |
|---------------------------|----|-----------------------|
| Deductions:               |    |                       |
| Salaries                  | \$ | 160,773               |
| Benefits                  |    | 75,327                |
| Office supplies           |    | 8,757                 |
| Office equipment          |    | 42,774                |
| Data processing           |    | 34,743                |
| Uniforms                  |    | 485                   |
| Telephone                 |    | 4,563                 |
| Utilities                 |    | 7,766                 |
| Repairs                   |    | 1,500                 |
| Insurance                 |    | 9,536                 |
| Miscellaneous             |    | <u>625</u>            |
|                           |    | <u>346,849</u>        |
| Net                       | \$ | 25,681                |
| Balance beginning of year |    | <u>163,313</u>        |
| Balance end of year       | \$ | <u><u>188,994</u></u> |

#### NOTE 15 – PRIOR PERIOD ADJUSTMENT

Net position as of July 1, 2012 has been restated to correct for drainage assessments that were earned prior to June 30, 2012 but not recorded. The adjustment affected the Statement of Activities as follows:

|   |    |                          |
|---|----|--------------------------|
| Net position – beginning of year (unadjusted) | \$ | 17,436,090               |
| Correction                                    |    | <u>604,170</u>           |
| Net position – beginning of year (restated)   | \$ | <u><u>18,040,260</u></u> |

#### NOTE 16 – LITIGATION

Humboldt County has several cases pending. The County has pending litigation involving a drainage district and dam repair and/or alteration. The probable outcome or loss to the County resulting from this litigation has not been determined.

## **Required Supplementary Information**

**HUMBOLDT COUNTY**  
**BUDGETARY COMPARISON SCHEDULE**  
**OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES**  
**BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2013**

|  | Less Funds<br>not Required |                  |                  |
|--|----------------------------|------------------|------------------|
|  | Actual                     | to be Budgeted   | Net              |
| Receipts:  |                            |                  |                  |
| Property tax and other county tax  | \$ 4,659,138               | -                | 4,659,138        |
| Interest and penalty on property tax   | 31,161                     | -                | 31,161           |
| Intergovernmental  | 4,508,293                  | 870,069          | 3,638,224        |
| Licenses and permits   | 40,502                     | -                | 40,502           |
| Charges for service  | 337,091                    | -                | 337,091          |
| Use of money and property  | 61,560                     | -                | 61,560           |
| Miscellaneous  | 4,335,513                  | 3,989,031        | 346,482          |
|  | <u>13,973,258</u>          | <u>4,859,100</u> | <u>9,114,158</u> |
| Disbursements:   |                            |                  |                  |
| Program  |                            |                  |                  |
| Public safety and legal services   | 1,724,558                  | -                | 1,724,558        |
| Physical health and social services  | 288,073                    | -                | 288,073          |
| Mental health  | 1,273,973                  | -                | 1,273,973        |
| County environment and education   | 768,256                    | -                | 768,256          |
| Roads and transportation   | 2,974,324                  | -                | 2,974,324        |
| Government services to residents   | 367,164                    | -                | 367,164          |
| Administration   | 1,006,773                  | -                | 1,006,773        |
| Capital Projects   | 292,469                    | -                | 292,469          |
| Non-program  | 4,382,652                  | 4,382,652        | -                |
|  | <u>13,078,242</u>          | <u>4,382,652</u> | <u>8,695,590</u> |
| Excess (deficiency) of receipts over disbursements   | 895,016                    | 476,448          | 418,568          |
| Other financing sources  | 4,482                      | -                | 4,482            |
| Excess (disbursements) of receipts and other financing sources<br>over (under) disbursements and other financing | 899,498                    | 476,448          | 423,050          |
| Balance beginning of year  | <u>5,218,648</u>           | <u>333,899</u>   | <u>4,884,749</u> |
| Balance end of year  | <u>\$ 6,118,146</u>        | <u>810,347</u>   | <u>5,307,799</u> |

See accompanying independent auditor's report.

| Budgeted Amounts |           | Final<br>to Net<br>Variance |
|------------------|-----------|-----------------------------|
| Original         | Final     |                             |
| 4,701,505        | 4,701,505 | (42,367)                    |
| 7,530            | 7,530     | 23,631                      |
| 3,371,462        | 3,329,829 | 308,395                     |
| 4,400            | 4,400     | 36,102                      |
| 251,450          | 266,450   | 70,641                      |
| 97,400           | 77,400    | (15,840)                    |
| 22,600           | 165,325   | 181,157                     |
| 8,456,347        | 8,552,439 | 561,719                     |

|           |           |         |
|-----------|-----------|---------|
| 1,727,618 | 1,769,118 | 44,560  |
| 387,203   | 360,951   | 72,878  |
| 1,337,909 | 1,426,413 | 152,440 |
| 695,111   | 872,732   | 104,476 |
| 3,236,762 | 3,884,362 | 910,038 |
| 380,167   | 380,767   | 13,603  |
| 1,024,917 | 1,089,967 | 83,194  |
| 118,000   | 823,500   | 531,031 |
| -         | -         | -       |

|           |            |           |
|-----------|------------|-----------|
| 8,907,687 | 10,607,810 | 1,912,220 |
|-----------|------------|-----------|

|           |             |           |
|-----------|-------------|-----------|
| (451,340) | (2,055,371) | 2,473,939 |
| 1,500     | 1,500       | 2,982     |

|           |             |           |
|-----------|-------------|-----------|
| (449,840) | (2,053,871) | 2,476,921 |
| 2,702,362 | 2,702,362   | 2,182,387 |
| 2,252,522 | 648,491     | 4,659,308 |



## HUMBOLDT COUNTY

### Budgetary Comparison Schedule - Budget to GAAP Reconciliation

#### Required Supplementary Information

Year ended June 30, 2013

|                              | Governmental Funds  |                             |                              |
|------------------------------|---------------------|-----------------------------|------------------------------|
|                              | Cash<br>Basis       | Accrual<br>Adjust-<br>ments | Modified<br>Accrual<br>Basis |
| Revenues                     | \$ 10,740,424       | 123,262                     | 10,863,686                   |
| Expenditures                 | 13,078,242          | (191,988)                   | 12,886,254                   |
| Net                          | (2,337,818)         | 315,250                     | (2,022,568)                  |
| Other Financing Sources, net | 3,237,317           | -                           | 3,237,317                    |
| Beginning Fund Balances      | 5,218,648           | (205,700)                   | 5,012,948                    |
| Ending Fund Balances         | <u>\$ 6,118,147</u> | <u>109,550</u>              | <u>6,227,697</u>             |

See accompanying independent auditor's report.

## **HUMBOLDT COUNTY**

### **Notes to Required Supplementary Information – Budgetary Reporting**

**June 30, 2013**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. One hundred and twenty-three drainage districts have been included as a blended component unit in the financial statements. The finances for the drainage districts are not required to be budgeted and therefore the revenues and expenditures for the drainage districts have been removed from the actual results column contained on the Budgetary Comparison Schedule (page 34).

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted includes disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year a two budget amendments increased budgeted receipts by \$96,092 and increased budgeted disbursements by \$1,700,123. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2013 disbursements did not exceed the amounts budgeted in any function.

## **Supplementary Information**

## HUMBOLDT COUNTY

### Schedule of Funding Progress for the Retiree Health Plan (In Thousands)

#### Required Supplementary Information

Year ended June 30, 2013

| Year<br>Ended<br>June 30, | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll |
|---------------------------|--------------------------------|---------------------------------|--|---------------------------|-----------------|--------------------|--|
| 2011                      | July 1, 2009                   | \$ -                            | \$ 283                                     | 283                       | 0.00%           | \$ 2,665           | 10.70%   |
| 2012                      | July 1, 2009                   | \$ -                            | \$ 246                                     | 246                       | 0.00%           | \$ 2,928           | 8.71%  |
| 2013                      | July 1, 2012                   | \$ -                            | \$ 246                                     | 246                       | 0.00%           | \$ 2,928           | 8.71%  |

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

# HUMBOLDT COUNTY

## Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2013

| Assets                              | Special Revenue |        |             |           |               |
|-------------------------------------|-----------------|--------|-------------|-----------|---------------|
|                                     | Records         |        | Jail        | Community | Secondary     |
|                                     | Management      | REAP   | Assessments | LOST      | Roads<br>LOST |
| Cash and investments                | \$ 10,304       | 60,791 | 3,959       | 166,130   | 51,390        |
| Receivables                         |                 |        |             |           |               |
| Accounts receivable                 | -               | -      | -           | -         | -             |
| Accrued interest                    | 2               | 9      | -           | -         | -             |
| Due from other funds                | -               | -      | -           | -         | -             |
| Due from other governments          | 688             | -      | -           | 9,189     | 21,442        |
| Total Assets                        | 10,994          | 60,800 | 3,959       | 175,319   | 72,832        |
| Liabilities and Fund Balance        |                 |        |             |           |               |
| Liabilities                         |                 |        |             |           |               |
| Accounts payable                    | -               | -      | -           | -         | -             |
| Salaries and benefits payable       | -               | -      | -           | -         | -             |
| Total Liabilities                   | -               | -      | -           | -         | -             |
| Fund balances                       |                 |        |             |           |               |
| Restricted for:                     |                 |        |             |           |               |
| Resource enhancement and protection | -               | 60,800 | -           | -         | -             |
| Other purposes                      | 10,994          | -      | 3,959       | 175,319   | 72,832        |
| Total fund balances                 | 10,994          | 60,800 | 3,959       | 175,319   | 72,832        |
| Total liabilities and fund balances | \$ 10,994       | 60,800 | 3,959       | 175,319   | 72,832        |

See Independent Auditor's Report

**Schedule 1**

| Conservation<br>Land Acquisition<br>Trust | DARE  | K9  | Seniors<br>and Lawman | Recorder's<br>Electronic<br>Fees | Drop-In | Total      |
|---|-------|-----|-----------------------|----------------------------------|---------|------------|
| 18,712                                    | 9,591 | 374 | -                     | 283                              | 46,936  | \$ 368,470 |
| -   | -     | -   | -                     | -                                | -       | -          |
| -   | -     | -   | -                     | -                                | -       | 11         |
| -   | -     | -   | -                     | -                                | -       | -          |
| -   | -     | -   | -                     | 194                              | -       | 31,513     |
| 18,712                                    | 9,591 | 374 | -                     | 477                              | 46,936  | 399,994    |
| -   | -     | -   | -                     | -                                | -       | -          |
| -   | -     | -   | -                     | -                                | -       | -          |
| -   | -     | -   | -                     | -                                | -       | -          |
| -   | -     | -   | -                     | -                                | -       | 60,800     |
| 18,712                                    | 9,591 | 374 | -                     | 477                              | 46,936  | 339,194    |
| 18,712                                    | 9,591 | 374 | -                     | 477                              | 46,936  | 399,994    |
| 18,712                                    | 9,591 | 374 | -                     | 477                              | 46,936  | \$ 399,994 |

# HUMBOLDT COUNTY

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

Year ended June 30, 2013

|   | Special Revenue       |          |                     |                                 |                            |
|---|-----------------------|----------|---------------------|---------------------------------|----------------------------|
|   | Records<br>Management | REAP     | Jail<br>Assessments | Community<br>Betterment<br>LOST | Secondary<br>Roads<br>LOST |
| Revenues  |                       |          |                     |                                 |                            |
| Intergovernmental   | \$ -                  | 9,353    | -                   | 112,986                         | 263,635                    |
| Charges for service                                       | 2,812                 | -        | 2,190               | -                               | -                          |
| Use of money and property                                 | 28                    | 156      | -                   | -                               | -                          |
| Miscellaneous   | -                     | -        | -                   | -                               | -                          |
| Total Revenues  | 2,840                 | 9,509    | 2,190               | 112,986                         | 263,635                    |
| Expenditures:   |                       |          |                     |                                 |                            |
| Operating   |                       |          |                     |                                 |                            |
| Public safety and legal service                           | -                     | -        | -                   | -                               | -                          |
| Mental health   | -                     | -        | -                   | -                               | -                          |
| County environment and education                          | -                     | 21,356   | -                   | -                               | -                          |
| Administration  | 3,000                 | -        | -                   | -                               | -                          |
| Total expenditures  | 3,000                 | 21,356   | -                   | -                               | -                          |
| Excess (deficiency) of revenues over (under) expenditures | (160)                 | (11,847) | 2,190               | 112,986                         | 263,635                    |
| Other financing (uses)                                    |                       |          |                     |                                 |                            |
| Operating transfers out                                   | -                     | -        | -                   | (73,979)                        | (286,846)                  |
| Total other financing (uses)                              | -                     | -        | -                   | (73,979)                        | (286,846)                  |
| Net change in fund balances                               | (160)                 | (11,847) | 2,190               | 39,007                          | (23,211)                   |
| Fund balances beginning of year                           | 11,154                | 72,647   | 1,769               | 136,312                         | 96,043                     |
| Fund balances end of year                                 | \$ 10,994             | 60,800   | 3,959               | 175,319                         | 72,832                     |

See Independent Auditor's Report

**Schedule 2**

| Conservation<br>Land Acquisition<br>Trust | DARE   | K9  | Seniors<br>and Lawman | Recorder's<br>Electronic<br>Fees | Drop-In | Total      |
|---|--------|-----|-----------------------|----------------------------------|---------|------------|
| -   | -      | -   | -                     | -                                | -       | \$ 385,974 |
| -   | -      | -   | -                     | 2,812                            | -       | 7,814      |
| -   | -      | -   | -                     | -                                | -       | 184        |
| 2,070                                     | 680    | -   | -                     | -                                | -       | 2,750      |
| 2,070                                     | 680    | -   | -                     | 2,812                            | -       | 396,722    |
| -   | 1,097  | -   | -                     | -                                | -       | 1,097      |
| -   | -      | -   | -                     | -                                | 2,362   | 2,362      |
| -   | -      | -   | -                     | -                                | -       | 21,356     |
| -   | -      | -   | -                     | 2,704                            | -       | 5,704      |
| -   | 1,097  | -   | -                     | 2,704                            | 2,362   | 30,519     |
| 2,070                                     | (417)  | -   | -                     | 108                              | (2,362) | 366,203    |
| -   | -      | -   | -                     | -                                | -       | (360,825)  |
| -   | -      | -   | -                     | -                                | -       | (360,825)  |
| 2,070                                     | (417)  | -   | -                     | 108                              | (2,362) | 5,378      |
| 16,642                                    | 10,008 | 374 | -                     | 369                              | 49,298  | 394,616    |
| 18,712                                    | 9,591  | 374 | -                     | 477                              | 46,936  | \$ 399,994 |



## HUMBOLDT COUNTY

### COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

Year Ended June 30, 2013

|                               | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Schools          |
|-------------------------------|-------------------|--|--------------------|------------------|
| Assets                        |                   |  |                    |                  |
| Cash and Pooled Investments   |                   |  |                    |                  |
| County Treasurer              | \$ -              | 1,143                                  | 166,109            | 69,425           |
| Other County officials        | 17,315            | -                                      | -                  | -                |
| Receivables                   |                   |  |                    |                  |
| Accounts receivable           | 1,091             | -                                      | -                  | -                |
| Property tax                  | -                 |  |                    |                  |
| Delinquent                    | -                 | 276                                    | 709                | 14,583           |
| Succeeding year               | -                 | 120,482                                | 309,411            | 6,904,322        |
| Due from other governments    | -                 | -                                      | -                  | -                |
| Capital Assets                | -                 | -                                      | -                  | -                |
| Total assets                  | <u>18,406</u>     | <u>121,901</u>                         | <u>476,229</u>     | <u>6,988,330</u> |
| Liabilities                   |                   |  |                    |                  |
| Accounts payable              | -                 | -                                      | 946                | -                |
| Salaries and benefits payable | -                 | -                                      | -                  | -                |
| Due to other governments      |                   | 121,901                                | 475,283            | 6,988,330        |
| Notes Payable                 | -                 | -                                      | -                  | -                |
| Trusts payable                | 18,406            | -                                      | -                  | -                |
| Compensated absences          | -                 | -                                      | -                  | -                |
| Total liabilities             | <u>\$ 18,406</u>  | <u>121,901</u>                         | <u>476,229</u>     | <u>6,988,330</u> |

See Independent Auditor's Report

### Schedule 3

| Community<br>Colleges | Corporations     | Townships      | Other          | Total                |
|-----------------------|------------------|----------------|----------------|----------------------|
| 4,560                 | 37,022           | 20,544         | 439,515        | \$ 738,318           |
| -                     | -                | -              | -              | 17,315               |
| -                     | -                | -              | 23,602         | 24,693               |
| 1,194                 | 12,235           | 172            | 672            | 29,841               |
| 523,995               | 3,961,242        | 222,955        | 293,427        | 12,335,834           |
| -                     | -                | -              | -              | -                    |
| -                     | -                | -              | 117,434        | 117,434              |
| <u>529,749</u>        | <u>4,010,499</u> | <u>243,671</u> | <u>874,650</u> | <u>13,263,435</u>    |
| -                     | -                | -              | 2,539          | 3,485                |
| -                     | -                | -              | 11,346         | 11,346               |
| 529,749               | 4,010,499        | 243,671        | 860,753        | 13,230,186           |
| -                     | -                | -              | -              | -                    |
| -                     | -                | -              | 12             | 18,418               |
| -                     | -                | -              | -              | -                    |
| <u>529,749</u>        | <u>4,010,499</u> | <u>243,671</u> | <u>874,650</u> | <u>\$ 13,263,435</u> |

## HUMBOLDT COUNTY

### COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

Year Ended June 30, 2013

|                                    | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Schools    |
|------------------------------------|-------------------|--|--------------------|------------|
| Assets and Liabilities             |                   |  |                    |            |
| Balance beginning of year          | \$ 17,344         | 117,647                                | 420,270            | 7,117,736  |
| Additions                          |                   |  |                    |            |
| Property tax and other county tax  | -                 | 119,198                                | 305,751            | 6,824,614  |
| E911 surcharge                     | -                 | -                                      | -                  | -          |
| State tax credits                  | -                 | 4,871                                  | 13,604             | 297,200    |
| Drivers license fees               | -                 | -                                      | -                  | -          |
| Office fees, collections and misc. | 264,164           | -                                      | -                  | -          |
| Auto licenses, use tax and postage | -                 | -                                      | -                  | -          |
| Assessments                        | -                 | -                                      | -                  | -          |
| Trusts                             | 480               | -                                      | -                  | -          |
| Miscellaneous                      | -                 | -                                      | 75,985             | -          |
| Total additions                    | 281,988           | 241,716                                | 815,610            | 14,239,550 |
| Deductions                         |                   |  |                    |            |
| Agency remittances                 |                   |  |                    |            |
| To other funds                     | 94,230            | -                                      | -                  | -          |
| To other governments               | 168,872           | 119,815                                | 339,381            | 7,251,220  |
| Trusts paid out                    | 480               | -                                      | -                  | -          |
| Total deductions                   | 263,582           | 119,815                                | 339,381            | 7,251,220  |
| Balance end of year                | \$ 18,406         | 121,901                                | 476,229            | 6,988,330  |

See Independent Auditor's Report

**Schedule 4**

| <u>Community<br/>Colleges</u> | <u>Corporations</u> | <u>Townships</u> | <u>Other</u>     | <u>Total</u>         |
|-------------------------------|---------------------|------------------|------------------|----------------------|
| <u>470,986</u>                | <u>3,878,813</u>    | <u>214,410</u>   | <u>880,045</u>   | <u>\$ 13,117,251</u> |
| 518,918                       | 3,922,300           | 220,500          | 291,279          | 12,202,560           |
| -                             | -                   | -                | 96,248           | 96,248               |
| 19,423                        | 128,552             | 9,131            | 12,358           | 485,139              |
| -                             | -                   | -                | 38,111           | 38,111               |
| -                             | -                   | -                | 67,548           | 331,712              |
| -                             | -                   | -                | 3,289,614        | 3,289,614            |
| -                             | -                   | -                | 382,456          | 382,456              |
| -                             | -                   | -                | -                | 480                  |
| -                             | 11,279              | -                | 412,717          | 499,981              |
| <u>1,009,327</u>              | <u>7,940,944</u>    | <u>444,041</u>   | <u>5,470,376</u> | <u>30,443,552</u>    |
| -                             | -                   | -                | -                | 94,230               |
| 479,578                       | 3,930,445           | 200,370          | 4,072,988        | 16,562,669           |
| -                             | -                   | -                | 522,738          | 523,218              |
| <u>479,578</u>                | <u>3,930,445</u>    | <u>200,370</u>   | <u>4,595,726</u> | <u>17,180,117</u>    |
| <u>529,749</u>                | <u>4,010,499</u>    | <u>243,671</u>   | <u>874,650</u>   | <u>\$ 13,263,435</u> |

**HUMBOLDT COUNTY**

**Schedule 5**

**Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds**

**For the Last Ten Years**

|                                      | Modified Accrual Basis |               |               |               |               |               |               |               |              |              |  |
|--------------------------------------|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--|
|                                      | 2013                   | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          | 2006          | 2005         | 2004         |  |
| Revenues                             |                        |               |               |               |               |               |               |               |              |              |  |
| Property and other county tax        | \$ 4,659,205           | \$ 4,503,583  | \$ 4,438,639  | \$ 4,150,452  | \$ 4,047,323  | \$ 3,945,865  | \$ 3,938,703  | \$ 4,166,190  | \$ 3,378,669 | \$ 3,341,820 |  |
| Interest and penalty on property tax | 31,158                 | 27,254        | 32,175        | 27,632        | 29,381        | 30,608        | 30,982        | 38,735        | 37,974       | 31,001       |  |
| Intergovernmental                    | 4,539,522              | 4,387,363     | 4,125,211     | 3,783,358     | 3,578,785     | 4,408,164     | 3,752,347     | 3,921,789     | 3,712,338    | 3,211,309    |  |
| Licenses and permits                 | 48,236                 | 45,294        | 37,775        | 19,910        | 26,084        | 38,069        | 26,050        | 22,557        | 19,420       | 18,184       |  |
| Charges for service                  | 340,705                | 303,095       | 394,908       | 395,404       | 360,820       | 227,264       | 268,939       | 250,900       | 278,328      | 207,514      |  |
| Use of Money and Property            | 59,871                 | 128,241       | 84,881        | 112,636       | 357,596       | 326,728       | 373,748       | 355,043       | 225,457      | 117,368      |  |
| Miscellaneous                        | 1,184,989              | 1,012,949     | 687,093       | 743,151       | 1,570,882     | 861,644       | 1,826,848     | 497,216       | 521,746      | 1,585,413    |  |
| Total                                | 10,863,686             | 10,407,779    | 9,800,682     | 9,232,543     | 9,970,871     | 9,838,342     | 10,217,617    | 9,252,430     | 8,173,932    | 8,512,609    |  |
| Expenditures                         |                        |               |               |               |               |               |               |               |              |              |  |
| Current                              |                        |               |               |               |               |               |               |               |              |              |  |
| Public safety and legal services     | 1,713,784              | 1,586,923     | 1,717,125     | 1,525,119     | 1,476,575     | 1,428,044     | 1,367,314     | 1,336,999     | 1,284,879    | 1,272,084    |  |
| Physical health and social services  | 293,763                | 349,538       | 356,967       | 343,191       | 335,663       | 276,753       | 258,625       | 289,473       | 265,112      | 306,926      |  |
| Mental health                        | 1,098,798              | 1,410,831     | 1,299,645     | 1,162,294     | 1,276,697     | 1,281,320     | 1,293,368     | 1,108,071     | 1,127,624    | 1,148,982    |  |
| County environment and education     | 768,008                | 705,514       | 833,832       | 568,556       | 611,497       | 632,849       | 602,204       | 497,867       | 538,761      | 557,163      |  |
| Roads and transportation             | 2,922,172              | 3,501,016     | 3,360,878     | 2,753,153     | 2,537,436     | 2,969,259     | 2,417,710     | 2,917,945     | 2,573,197    | 2,817,280    |  |
| Governmental services to residents   | 363,439                | 370,930       | 379,381       | 392,300       | 401,145       | 285,869       | 321,364       | 457,539       | 313,775      | 304,668      |  |
| Administration                       | 1,051,169              | 984,538       | 952,032       | 951,143       | 1,221,738     | 923,389       | 914,873       | 985,062       | 981,952      | 937,732      |  |
| Non-program                          | 4,382,652              | 2,811,422     | 1,841,028     | 2,955,896     | 2,500,432     | 2,940,939     | 4,070,029     | 2,261,053     | 2,119,331    | 2,036,406    |  |
| Capital Projects                     | 292,469                | 242,868       | 483,398       | 682,862       | 151,680       | 592,457       | 495,593       | 436,146       | 158,660      | 368,521      |  |
| Total                                | \$ 12,886,254          | \$ 11,963,580 | \$ 11,224,286 | \$ 11,334,514 | \$ 10,512,863 | \$ 11,330,879 | \$ 11,741,080 | \$ 10,290,155 | \$ 9,363,291 | \$ 9,749,762 |  |

See Independent Auditor's report.



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Officials of Humboldt County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Humboldt County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 19, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Humboldt County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Humboldt County's internal control. Accordingly, we do not express an opinion on the effectiveness of Humboldt County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 to be material weaknesses.

As part of obtaining reasonable assurance about whether Humboldt County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Humboldt County's Responses to Findings

Humboldt County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Humboldt County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Humboldt County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*T.P. Anderson & Company*

February 19, 2014

**HUMBOLDT COUNTY**  
**SCHEDULE OF FINDINGS**  
**Year Ended June 30, 2013**

Part I: Summary of Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.



**HUMBOLDT COUNTY**  
**SCHEDULE OF FINDING**  
**Year Ended June 30, 2013**

Part II: Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-13 Segregation of Duties - During our examination of the system of internal accounting control, the existing procedures are evaluated in order to determine that incompatible duties, from a control viewpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore, maximizes the accuracy of the County's financial statements. We noted that in the Auditor's, Treasurer's, Recorder's, and Sheriff's offices receipts, record keeping, and reconciling functions are at times handled by one office employee.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, in the above mentioned offices, the management should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We have reviewed procedures and plan to utilize our current employees to maximize internal control to the extent possible.

Conclusion - Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-13 Certified Budget – The County did not exceed the budgeted disbursement in any function.

III-B-13 Questionable Expenditures - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney Generals opinion dated April 25, 1979.

III-C-13 Travel Expense - No expenditures of County money for travel expenses of spouses, of County officials, or employees were noted.

III-D-13 Business Transactions – No business transactions between the County and County officials or employees were noted.

III-E-13 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions.

## **HUMBOLDT COUNTY**

### **SCHEDULE OF FINDING**

**Year Ended June 30, 2013**

- III-F-13 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- III-H-13 Resource Enhancement and Protection Certification -The County properly dedicated property tax revenue and conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (6)(3).
- III-I-13 Economic Development – During the year ended June 30, 2013, the County contributed \$40,000 to the Humboldt County Development Association. The economic development request did include an overview of how the funds are to be used and the Board is provided a copy of the Association audit report.
- III-J-13 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in exhibits A or B.
- Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.
- III-K-13 Tax Increment Financing (TIF) – For the year ended June 30, 2013, the County Auditor did not prepare a reconciliation for each City reconciling TIF receipts with total outstanding TIF debt.

Recommendation – to assist the County Auditor in performing their duty in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, “to provide for the division of taxes in each subsequent year without further certification... until the amounts of the loans, advances, indebtedness, or bonds is paid to the special fund”, the County Auditor should prepare a reconciliation of each City’s TIF receipts and TIF debt certified.

Response - We will begin reconciling the TIF receipts to the amount of TIF debt certified for all cities within the County.

Conclusion - Response accepted.